

## Office of Public Instruction Budget Requests in Priority Order

The State Superintendent submitted these funding requests to the Office of Budget and Program Planning on September 6, 2002 for consideration in the Governor's budget for the 2005 biennium.

### **K-12 School Funding Request**

This proposal contains several components to address the rising costs of operating Montana's K-12 public schools. The components include:

a. Increases in the basic and per-ANB entitlements

This proposal ties the increases in the basic and per-ANB entitlements to projected increases in the cost of school services. Given that salaries and benefits represent 75 percent of school district general fund expenditures, an inflation index tied to the labor market appears to be the best proxy for growth in the cost of school services. DRI-WEFA (March 2002) projects that the Employment Cost Index for compensation will increase by 3.7 percent in 2002 and 3.2 percent annually in 2003, 2004 and 2005. This proposal requests an increase in the basic and per-ANB entitlements of 3.7 percent in FY04 and 3.2 percent in FY05. The cost of this proposal exceeds the FY02 Present Law Base by \$16.627 million in FY04 and by \$31.024 million in FY05.

□ Biennial Cost: \$47,651,000 general fund

b. Countywide levy for school employee health insurance costs in excess of \$300/month

This proposal would allow school districts to fund the cost of employee health insurance in excess of \$300/month/employee through the county retirement levy. The amount charged to the county fund could not exceed the annual health insurance benefit provided for state employees less \$3600. For example, in FY03, the health insurance benefit for state employees is \$361/month or \$4,332/year. The maximum amount that a district could charge to the countywide levy per employee for insurance would be \$732  $= ((\$361 - 300) \times 12 \text{ months})$ . Using an estimate of 20,000 public school employees, this proposal would cost \$14,640,000 annually. The state share of this cost is estimated to be one-third of the total or \$4.88 million.

□ Biennial Cost: \$9,760,000 general fund

c. 3-year averaging of ANB

This proposal is to allow schools with declining enrollment to calculate ANB using an enrollment average for the 3 previous school years. For schools with steadily growing enrollment, the ANB would be calculated using the previous year's enrollment count. This proposal is estimated to cost the state \$12.5 million annually. The local share is estimated at \$3.5 million annually.

□ Biennial Cost: \$25,000,000 general fund

d. Recruitment of certified staff

This proposal would establish a loan repayment program for teachers who are teaching in "critical teacher shortage areas." Shortage areas would be defined both in terms of academic subject areas and geographic areas. The maximum student loan repayment assistance that an individual could receive would be \$12,000. The loan repayment program is similar to the proposal that was contained in HB 140 during the 2001 legislative session.

□ Biennial Cost: \$1,100,000 general fund

e. Retention of certified staff

This proposal is to amend the Teachers Retirement System statute to increase the retirement benefit by approximately 20 percent for participants who retire with 30 years or more of service. Under current law, a retiree's benefit is calculated as:

$$1.67 \text{ percent} \times \text{Years of service} \times \text{Final average compensation}$$

Final average compensation is determined by the employee's compensation in the final three years of service.

The proposal is to raise the benefit calculation from 1.67 percent to 2 percent for employees who retire after June 30, 2005 with 30 years or more of service. For this group of retirees the benefit calculation would be:

$$2 \text{ percent} \times \text{Years of service} \times \text{Final average compensation}$$

Currently, there are approximately 600 TRS retirements annually. It is estimated that this proposal will postpone approximately 20 percent of the yearly retirements and therefore reduce the number of annual retirements by 120. The estimated annual cost for this proposal to the retirement system is \$8-10 million after June 30, 2005. This cost will be paid from the county retirement fund and will be borne by 1) county taxpayers through the countywide retirement levy and 2) the state general fund through GTB payments.

The cost of the proposal in the 2005 biennium is the cost of advance payments into the retirement system if schools districts determine that they will need to increase their reserves in anticipation of higher termination costs in the future. If school districts determine that they need to increase reserves by \$1 million statewide, county taxes would increase by approximately 0.4 mills statewide. The state GTB cost would increase by approximately \$330,000 in FY05.

The benefit of this proposal is that it would encourage the retention of highly experienced teachers, (many of whom are in their early fifties and are not ready to quit working), and help alleviate the teacher shortages that communities are experiencing across the state. For future retirees with 30 years or more of service, this proposal will increase their annual retirement benefit by 10 percent.

☐ Biennial Cost: \$330,000 general fund

f. Payment of \$1,000 per certified FTE to each school district

This proposal would provide a payment of \$1,000 per certified FTE to each school district. In FY 2001, school districts reported 12,097 FTE certified staff. The cost of this proposal is estimated to be \$12,100,000 annually.

The benefit of this proposal is that it would

- ☐ assist school districts with recruiting and retaining teachers,
- ☐ allow school districts to provide enhanced professional development opportunities, and
- ☐ cushion the impact of declining enrollment by providing funding based on the number of teachers. (The number of teachers is more closely tied to the number of classroom units.)

☐ Biennial Cost: \$24,200,000 general fund

## **Special Education Maintenance of Effort**

The FY02 “present law base budget” for state special education funding is \$33,910,299. In FY03, the Office of Public Instruction will distribute \$34,910,620 for special education programs. A present law adjustment is necessary to set the amount of funding available in FY04 and FY05 equal to the amount distributed in FY03. The minimum appropriation level needed to meet Montana’s Maintenance of Effort requirement is \$34,910,620 in each year of the 2005 biennium. Any amount less than this will result in a dollar for dollar reduction in federal funding for special education because of provisions in IDEA requiring state maintenance of fiscal effort.

□ Biennial Cost: \$2,000,644 general fund

## **Special Education – New Proposal**

Special education experienced a full decade (1990’s) with no increase in state general fund appropriations. As a result, local district funding for special education has grown by over 900 percent. Although there have been increases in appropriations in recent years, the fact remains that 12 years ago the state appropriation for special education was \$33.3 million. The state allocation for FY03 is \$34.9 million. This represents only a \$1.6 million increase in funding for special education over the course of approximately 12 years. The stress of ever-increasing local district contributions to special education has created challenges statewide. There is now a competition for funds that builds resentment and sacrifices have been made in general education programs that affect the quality of services for all children. School staff and parents are, at times, under stress when recommending programs that are costly, even if they are needed for the child, when parents and staff realize the overall costs and the limited fiscal resources of districts.

□ Biennial Cost: \$5,322,250 general fund

## **Statewide Student Assessment – No Child Left Behind**

This request includes funding for a contract with a national testing service for the annual assessment of students in grades 4, 8, and 11 as required by the Board of Public Education (BPE) and the federal requirements of the Elementary and Secondary Education Act of 1994. Funding of the proposal would allow public access to education data in a more timely fashion, as well as to provide national comparison data on the academic achievement of students in the core academic areas.

□ Biennial Cost: \$516,500 general fund

## **Indian Education for All**

To comply with constitutional guarantees and state statutes recognizing the distinct and unique cultural heritage of American Indians and the state’s commitment in its education goals to the preservation of their cultural heritage (20-1-501), OPI has adopted the following goals:

- a. Provide opportunities in its schools for all Montana’s students to gain an awareness and understanding of the unique culture, heritage, and contemporary issues of American and Montana Indians in a culturally responsive manner.
- b. Provide both Indian and non-Indian educational personnel and its leadership with opportunities through training and supportive services to be better prepared to teach American/Montana Indian students in the state’s classrooms.

- c. Strengthen and expand collaboration with Montana's Tribal educational community (Tribal Education Departments, Montana Indian Education Association, Tribal Colleges, and other appropriate organizations) when providing instruction and implementing an educational goal.

This funding request is for resources to:

- ☐ Develop model curriculum guides incorporating American Indian content into, and aligned with, all content and performance standards.
- ☐ Create a web-based professional development tool to reach all Montana educators.
- ☐ Support the activities of the Montana Advisory Council for Indian Education (MACIE).
  - ☐ Biennial Cost: \$120,000 general fund

## **State Transportation Aid – Present Law**

This request is to establish the FY04 and FY05 appropriations for state transportation aid payments at the FY03 appropriated amount, which is \$100,000 more than the base year amount. HB2 established the FY02 appropriation for state transportation aid payments to school districts at \$10,787,993, and the FY03 appropriation at \$10,887,993. This present law request continues the appropriation for FY04 and FY05 at the FY03 level.

State payments to schools for the transportation of students have been growing slowly over the past several years, and that growth is expected to continue. Several things can cause an increase in this state payment - increases in the number of busses, increases in the number of eligible riders, increases in the number of bus routes, increases in the number of individual contracts, and declines in the amount of district reappropriations will all affect the amount of the payment.

- ☐ Biennial Cost: \$200,000 general fund

## **School Facility Reimbursement – Present Law**

This request is to establish the FY04 and FY05 appropriations for school facility payments at the FY03 appropriated amount, which is \$350,000 more than the base year amount. HB2 established the FY02 appropriation for state school facility payments to low-wealth school districts at \$4.35 million and the FY03 appropriation at \$4.70 million. This present law request continues the appropriation for FY04 and FY05 at the FY03 level of \$4.70 million.

- ☐ Biennial Cost: \$200,000 general fund

## **Revise Pupil Transportation Funding Formula**

This request is to reintroduce (and fund) HB 163 from the 2001 legislative session. The proposed legislation greatly simplifies a very complex pupil transportation reimbursement system while making the state funding more equitable for school districts. The proposal bases the state/county bus mileage reimbursement rate on the size of the bus and increases the "base" mileage rate to \$0.95 for buses. It also repeals the November high school ridership count and increases state aid to schools for pupil transportation by \$1,700,000 annually, which will be equally matched by county payments. Schools use local tax levies to fund approximately 50% of their transportation costs. State and counties each pay about 25% of the total cost.

- ☐ Biennial Cost: \$3,400,000 general fund

## **School Facility Reimbursement – New Proposal**

To promote safe school facilities and a measure of taxpayer fairness, Montana has established a formula in statute for providing state payments to low-wealth school districts to assist with debt service payments on school bonds sold after July 1, 1991. The FY03 biennium appropriation for school facility payments is \$9.05 Million. Additional schools become eligible for a school facility payment each year. A funding increase of \$350,000 per year is needed to keep pace with the increase in number of eligible districts and maintain full funding for this State obligation.

□ Biennial Cost: \$300,000 general fund

## **Stipends for National Board Certification**

This proposal is for the payment of stipends in the amount of \$3,000 per teacher to teachers who achieves certification from the National Board for Professional Teaching Standards. OPI estimates that 15 teachers will be eligible for the stipend in FY04 and 25 teachers in FY05.

The 2001 Legislature approved HB 42, which provides for the payment of one-time stipends to teachers who achieve certification from the National Board for Professional Teaching Standards. Stipends in the amount of \$3,000 per teacher were paid to 8 teachers in FY02. OPI expects to pay stipends to 2 teachers in FY03.

The FY02 present law base includes \$24,000 for the payment of stipends. This proposal requests to increase the stipends by \$21,000 in FY04 and by \$51,000 in FY05. Under this proposal, the total amount paid out in stipends would be \$45,000 in FY04 and \$75,000 in FY05.

□ Biennial Cost: \$72,000 general fund

## **Audiology**

Under the Individuals with Disabilities Education Act (IDEA) schools are required to have an effective child find system in place for individuals with disabilities, birth through twenty-one. The Hearing Conservation Program is the primary method in which public schools ensure proper identification of students who may have a hearing impairment. An effective Hearing Conservation Program is an integral component of public school evaluation systems that are essential for ensuring effective instruction. This present law adjustment would support the Office of Public Instruction's effort to maintain the Hearing Conservation Program and ensure that we address the child-find requirements under IDEA.

□ Biennial Cost: \$97,349 general fund

## **School District Audit Filing Fee**

The Office of Public Instruction requests an increase in general fund authority for school district audit filing fees. This increase will allow OPI to pay school district audit filing fees in accordance with the Department of Administration's fee schedule, which is based on the amount of school district revenues. Payment of this fee from OPI to the Department of Administration is required by Section 2-7-514(2), MCA. This increase assumes school district revenues will increase 3 percent each year. Base year expenditures are \$139,275.

□ Biennial Cost: \$12,700 general fund

## **School Laws Publication**

Following each legislative session, the Office of Public Instruction contracts with the Legislative Services Division (LSD) for the printing of an updated volume of School Laws of Montana. This request will fund an anticipated increase in LSD's rates and an increase in postage costs. The request also includes funding to print an additional 500 copies of the School Law book. Section 20-3-105, MCA requires OPI to sell the School Law book at the cost of printing and shipping, so the cost of this proposal will be recovered through an increase in the price charged for each volume sold. Revenue from the sale of School Law books is deposited in the general fund.

□ Biennial Cost: \$9,360 general fund

## **Expansion of Medicaid Funding to Schools**

The Department of Public Health And Human Services (DPHHS) has submitted an EPP request titled "School Services Contract and Program Monitor." The DPHHS request will directly affect the Office of Public Instruction in ways that are yet to be determined. OPI's request is being submitted as a placeholder to allow the governor's budget office an opportunity to coordinate the effect of this new proposal between the two agencies.

OPI supports the efforts by DPHHS to move forward with this plan allowing schools to certify match for Medicaid. This new proposal has the potential to both save the state its general fund obligation and allow expansion of services without additional general fund monies.

It will take considerable effort by both agencies to implement this proposal. The complexity and size of this proposal means that not all actions required by the two agencies can be fully anticipated at this time. It is expected that the state of Montana will enter into a contract with a private contractor to establish the system for certifying state match and developing policies, procedures, and billing practices that will allow for an expansion of billable services under Medicaid.

This "placeholder" anticipates the need for a .50 FTE grade 16 at the Office of Public Instruction to support the certifying of match, providing training to schools, and coordinating services with the DPHHS. Although it is yet to be determined how the cost for billing services will be covered under this EPP, current state general fund monies expended for Medicaid match are proposed under this "placeholder" to cover costs associated with the private contractor including billing services.

OPI anticipates that the 1.00 FTE proposed in the DPHHS new proposal would be co-located in our two agencies. The .50 FTE proposed by OPI is not an additional FTE to the 1.00 proposed by DPHHS.

□ Biennial Cost: \$520,928 general fund

## **K-12 BASE Aid – Present Law Adjustment**

This present law adjustment reflects the projected \$18.255 million savings to the state general fund for K-12 BASE aid due to declining enrollment.

□ Biennial Cost: -\$9,179,000 general fund